

# DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

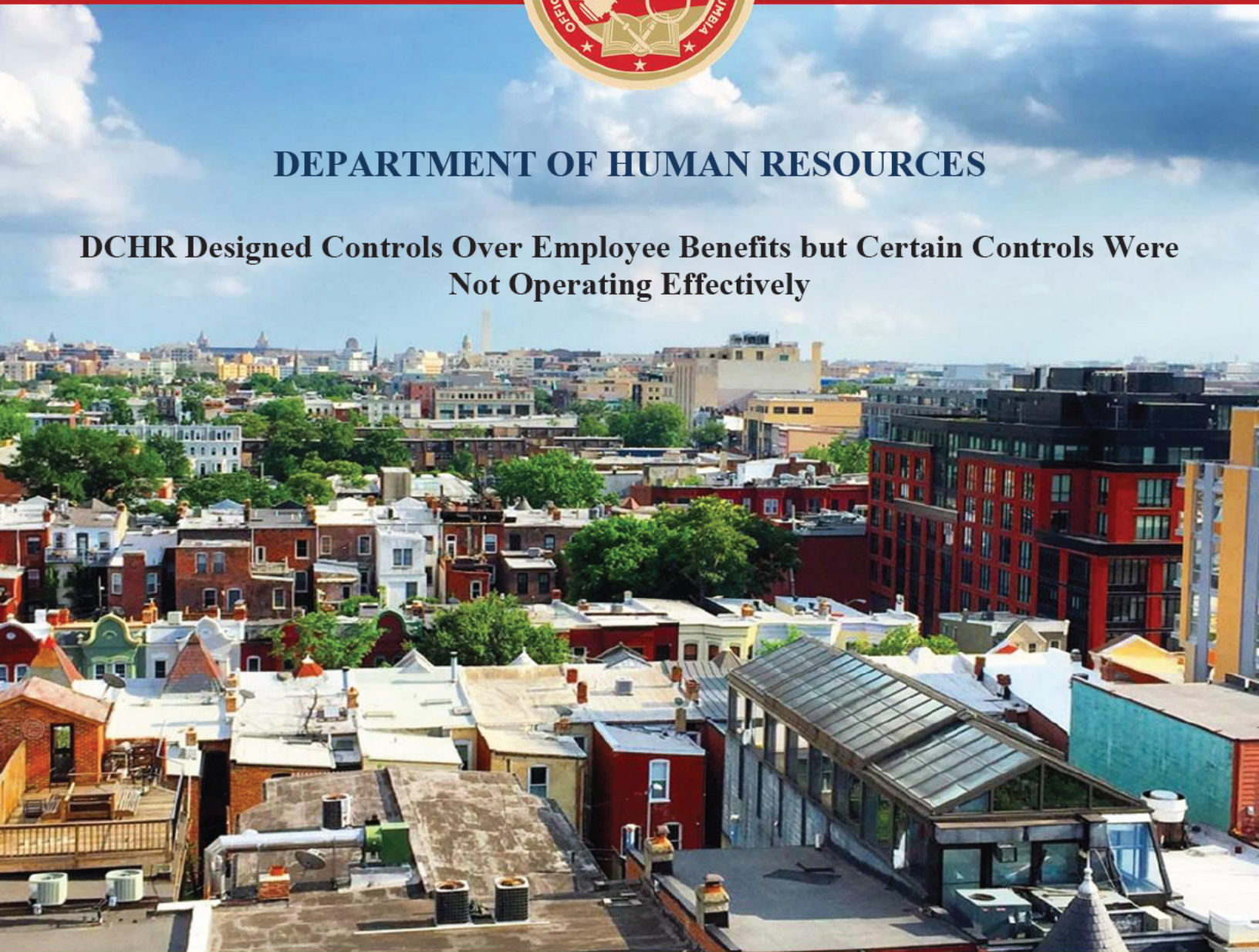
OIG Project No. 20-1-25MA

September 2021



## DEPARTMENT OF HUMAN RESOURCES

### DCHR Designed Controls Over Employee Benefits but Certain Controls Were Not Operating Effectively



### *Guiding Principles*

*Workforce Engagement \* Stakeholders Engagement \* Process-oriented \* Innovation  
\* Accountability \* Professionalism \* Objectivity and Independence \* Communication \* Collaboration  
\* Diversity \* Measurement \* Continuous Improvement*

## **Mission**

Our mission is to independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

## **Vision**

Our vision is to be a world-class Office of the Inspector General that is customer-focused, and sets the standard for oversight excellence!

## **Core Values**

Excellence \* Integrity \* Respect \* Creativity \* Ownership  
\* Transparency \* Empowerment \* Courage \* Passion  
\* Leadership





# DCHR Designed Controls Over Employee Benefits but Certain Controls Were Not Operating Effectively

## EXECUTIVE SUMMARY

### WHY WE DID THIS AUDIT

The Office of the Inspector General (OIG) conducted this audit based on interest expressed by stakeholders, specifically the Executive Office of the Mayor, and the potential for waste or abuse if employee benefit controls are inadequate. In addition to their regular salary, qualified District employees earn fringe benefits, which include life and health insurance, savings and retirement plans, and leave benefits such as paid family leave. To ensure employees receive the correct benefits, District human resources staff must follow proper procedures, collect adequate documentation from employees, and ensure benefit requests are correctly entered into the District's PeopleSoft application. This audit focused on the benefits requests the D.C. Department of Human Resources (DCHR) processed during fiscal year (FY) 2020.



### OBJECTIVES

Our audit objectives were to: (1) evaluate District employee benefit controls; and (2) determine compliance with federal and District employee benefit policies and procedures.

### WHAT WE FOUND

DCHR designed and published (1) strategic objectives as part of its fiscal year 2020 performance plan, (2) organizational structure to achieve its strategic objectives, and (3) control activities to enforce policies and procedures.<sup>1</sup> DCHR designed policies and procedures for District agencies to follow when administering employee benefits and processing benefits for payments. However, District agencies did not always follow District laws, rules and regulations, and policies and procedures in administering employee benefits and processing benefits for payments. Specifically, we found 63 instances in our sample of 169 employees where District agencies did not process benefits for payments in accordance with District laws, policies, and procedures.

For example, we noted instances where District agencies failed to follow paid family leave (PFL) program requirements and incorrectly approved multiple PFL benefits requests during a 12-month period – the minimum required waiting period between two qualifying events.

<sup>1</sup> *The United States Government Accountability Office (GAO) Standards for Internal Control in the Federal Government* (Green Book) defines control activities as “policies, procedures, techniques, and mechanisms that enforce management’s directives to achieve the entity’s objectives and address related risks.” *Id.* Principle 10.02.

## *EXECUTIVE SUMMARY*

We also found instances where District agencies failed to follow premium pay benefit requirements by approving Sunday, environmental, and night premiums when there was no Sunday, environmental, or night premiums work involved. Further, we noted instances where District agencies failed to follow overtime pay benefit requirements by improperly including paid holidays or scheduled leave hours as part of overtime hours.

Finally, we found that DCHR has not assessed risk related to the cost of carrying ineligible dependents on health care insurance programs following divorce or termination of a domestic partnership. Without implementing controls to establish continuing spousal/partner eligibility, DCHR is at risk of covering ineligible dependents resulting in overcharges to the health care insurance programs.

Periodically reviewing and examining District agencies' compliance with District rules and regulations would have provided DCHR leadership reasonable assurance that DCHR benefits programs meet the requirements of applicable laws and regulations.

### **WHAT WE RECOMMEND**

The OIG made 27 recommendations for DCHR to identify and address noncompliance and control weaknesses, which, in turn, will help DCHR achieve its strategic objectives effectively and efficiently; obtain reasonable assurance that employee benefits are accurately paid to eligible employees; and prevent, detect, and correct improper payments.

### **MANAGEMENT RESPONSE**

DCHR concurred with all recommendations made in the report with the exception of Recommendation 26.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

**Inspector General**



September 30, 2021

Ventris C. Gibson  
Director  
Department of Human Resources  
1015 Half Street, S.E., 9th Floor  
Washington, D.C. 20003

Dear Director Gibson:

Enclosed is our final report, *DCHR Designed Controls Over Employee Benefits but Certain Controls Were Not Operating Effectively* (OIG No. 20-1-25MA). We conducted this audit in accordance with generally accepted government auditing standards (GAGAS). Our audit objectives were to: (1) evaluate District employee benefit controls; and (2) determine compliance with federal and District employee benefit policies and procedures. The audit is included in our *Fiscal Year 2020 Audit and Inspection Plan*.

We provided the Department of Human Resources (DCHR) with our draft report on September 8, 2021, and received its response on September 30, 2021, which is included in its entirety as Appendix D to this report. We appreciate that DCHR officials began addressing some of the findings immediately upon notification during the audit.

Our draft report included 27 recommendations we made to DCHR for actions we deemed necessary to correct identified deficiencies. DCHR agreed with 26 of the 27 recommendations. Therefore, we consider these recommendations resolved but open pending evidence of stated actions. Although DCHR did not agree with Recommendation 26, DCHR's actions taken and/or planned are responsive and meet the intent of the recommendation. Therefore, we consider this recommendation resolved but open pending evidence that the cost of implementing this recommendation would exceed the benefits.

We appreciate the cooperation and courtesies extended to our staff during this audit. If you have any questions concerning this report, please contact me or Mr. Fekede Gindaba, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

A handwritten signature in blue ink, appearing to read "DWL", followed by a horizontal flourish.

Daniel W. Lucas  
Inspector General

DWL/qah

Enclosure

cc: See Distribution List

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## BACKGROUND

As set forth on the agency website, in accordance with its mission:

The DC Department of Human Resources (DCHR) provides human resource management services that strengthen individual and organizational performance and enable the District government to attract, develop, and retain a highly qualified, diverse workforce.<sup>2</sup>

The Benefits and Retirement Administration (BRA) within DCHR is responsible for the service delivery of the District's benefits program and policies for 32,000 benefit-eligible employees and retirees. Some of the employee benefits that DCHR administers are:

- Work and leave benefits, such as paid family leave (PFL), vacation, sick time, and premiums pay;
- Medical and group life insurance; and
- Savings and retirement plans.

The objectives of this audit were to: (1) evaluate District employee benefit controls; and (2) determine compliance with federal and District employee benefit policies and procedures. The audit focused on employees receiving benefits for the period of October 1, 2019, through June 30, 2020. The audit was included in the Office of the Inspector General's (OIG) *Fiscal Year 2020 Audit and Inspection Plan*. We conducted our audit from July 2020 to August 2021. We conducted this audit in accordance with generally accepted government auditing standards (GAGAS).

The OIG used federal and District laws and regulations, and DCHR policies and procedures to examine DCHR's administration of employee benefits. In addition, the OIG used the United States Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* (Green Book)<sup>3</sup> to evaluate the design and implementation of DCHR's control activities to ensure employee benefits operations are efficient and effective, and comply with applicable laws and regulations. Control activities are a component of an internal control system, and the Green Book defines an internal control system as "a continuous built-in component of operations, effected by people, that provides reasonable assurance, not absolute assurance, that an entity's objectives will be achieved."<sup>4</sup>

Further, the Green Book explains that: "[m]anagement is directly responsible for all activities of an entity, including the design, implementation, and operating effectiveness of an entity's internal control system."<sup>5</sup> In addition to the federal government, GAO also recommends that state, local, and quasi-governmental entities follow these internal control standards.

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<sup>2</sup> DCHR website, <https://dchr.dc.gov/page/about-dchr> (last visited May 4, 2021).

<sup>3</sup> U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-14-704G, STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOV'T (Sept. 2014), <https://www.gao.gov/products/GAO-14-704G> (last visited June 21, 2021).

<sup>4</sup> Green Book, *supra* note 3, § OV1.04 at 5.

<sup>5</sup> *Id.* § OV2.14 at 11-12.



## **FINDINGS**

### **DCHR DESIGNED CONTROLS TO ADMINISTER EMPLOYEE BENEFITS AND PROCESS BENEFITS FOR PAYMENTS**

According to the Green Book:

A direct relationship exists among an entity's objectives, the ... internal control[s], and the organizational structure of an entity. Objectives are what an entity wants to achieve. The ... internal control[s] are what are required of the entity to achieve the objectives. Organizational structure encompasses the operating units, operational processes, and other structures management uses to achieve the objectives.<sup>6</sup>

We found that consistent with the Green Book requirements, DCHR designed and published (1) strategic objectives as part of its fiscal year 2020 performance plan, (2) an organizational structure to achieve its strategic objectives, and (3) control activities.<sup>7</sup> Below we discuss DCHR's strategic objectives, organizational structure, and control activities in detail.

#### **DCHR Designed and Published Strategic Objectives as Part of its Fiscal Year 2020 Performance Plan.**

DCHR published four strategic objectives as part of its fiscal year 2020 performance plan. The strategic objectives were:

- DCHR strategically and expeditiously sources, selects, and on-boards highly talented individuals with the acumen, aptitude, and attitude to thrive in District government.
- DCHR engages District employees to ensure that each person is in the right job and has been provided with the right resources to leverage their knowledge, skills, and behaviors to meet District goals and sustain organizational success.
- DCHR defines the pathways, programs, and processes to create opportunities to continuously develop District employees and residents through assignments and activities aimed at advancing their career trajectory.
- Create and maintain a highly efficient, transparent, and responsive District government.

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<sup>6</sup> Green Book, *supra* note 3. § OV2.10 at 9-10.

<sup>7</sup> The Green Book defines control activities as "policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks." *Id.* Principle 10.02.

## **DCHR Designed and Published an Organizational Structure to Achieve Its Strategic Objectives.**

As set forth on the agency website, DCHR is organized into offices and administrations, which include:

- Office of the Director (OOD) – controls and disseminates work assignments and coordinates agency operations to ensure the attainment of the agency’s goals and objectives.
- Office of the General Counsel (OGC) – provides legal support and advice to DCHR and District agencies on a wide variety of personnel matters arising under the Comprehensive Merit Personnel Act (CMPA), District Personnel Manual (DPM), and other federal and District personnel and employment laws.
- Benefits and Retirement Administration (BRA) – responsible for the service delivery of the District’s benefits program and policies for 32,000 benefit-eligible employees and retirees.
- Policy and Compliance Administration (PCA) – designs, implements and oversees unified personnel standards to support a safe and effective work environment. The Administration carries out its mission by collaborating with District agencies to develop modern and useful personnel practices, developing and supporting government-wide compensation strategies, assisting agencies and employees to achieve success through amicable conflict resolution, and auditing and monitoring personnel standards and practices to achieve strategic personnel goals.<sup>8</sup>

## **DCHR Designed and Published Control Activities to Enforce Policies and Procedures.**

DCHR established the following control activities:

- Policy – managing updates necessary to the District Personnel Manual and Comprehensive Merit Personnel Act;
- Compensation – executing raises and dispensing bonuses for exceptional service.
- Administration of Benefits – administering all aspects of the District government workforce’s pension, retirement, and wellness programs;
- Compliance – reviewing and examining agency compliance with District rules and regulations. Providing recommendations for improvements as needed; and

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<sup>8</sup> DCHR website, <https://dchr.dc.gov/node/158772> (last visited Feb. 24, 2021).

- Administration of Leave Programs – managing all aspects of [Family and Medical Leave Act] FMLA and PFL claims including answering employee questions, verifying agency approved FMLA/PFL hours and, when applicable, working with the office of payroll and retirement services to ensure accurate employee access and reporting of FMLA/PFL hours. Also includes data analysis of FMLA/PFL trends.

The subsequent sections of this report discuss our findings, recommendations, and conclusions where controls, over certain employee benefits such as PFL, premium pay, overtime pay, and other benefits, were not operating effectively as designed.

## **DCHR DID NOT EFFECTIVELY IMPLEMENT CONTROLS OVER EMPLOYEE PAID FAMILY LEAVE BENEFITS**

According to the Green Book, internal control is a process used by management to help an entity achieve its objectives.<sup>9</sup> Overall, DCHR did not effectively monitor internal controls to ensure the PFL program complies with applicable laws and regulations. We noted instances where District employees failed to provide proof of qualifying events as required, ineligible District employees received PFL benefits, and District employees used PFL in less than 1-day increments, none of which are in accordance with District laws and regulations.

According to DCHR officials, employees applying for and receiving PFL benefits when not eligible (e.g., two applications being approved without maintaining a 12-month interval between the two PFL events), may be attributable to inaccurate information in Electronic-District Personnel Manual (E-DPM) issuance B-12-307 and the PFL application form, which contradicts the directives of 6B DCMR § 1284.1. Additionally, officials stated a lack of expertise and inadequate or ineffective training of FMLA coordinators assigned to review PFL applications resulted in incomplete documentation and improper approval of the timesheets where employees used PFL in less than 1-day increments.

It is management's responsibility to ensure the PFL program complies with laws and regulations and to evaluate and mitigate the risk of noncompliance. To provide reasonable assurance that the PFL program is properly administered, and risks are suitably mitigated, management should implement and monitor an internal control system. An internal control framework would help DCHR establish a process that will provide reasonable assurance that employee benefit objectives will be achieved, and related risks will be evaluated and mitigated as necessary.

Our review of 25 employees that participated in the PFL program showed that 10 participants were ineligible and improperly received benefits during the first three quarters of FY 2020.

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<sup>9</sup> Green Book, *supra* note 3.

## District Agencies Did Not Always Obtain Proof That a Qualifying Event Occurred to Justify PFL Benefits.

Title 6B DCMR § 1284.3 states:

An eligible employee shall provide proof that a qualifying event has occurred within the last twelve (12) months, or will likely occur in the next twelve (12) weeks, by submitting one (1) of the following:

(a) For the birth of a child, a certificate of live birth listing the employee as a legal parent or other reliable documentation evidencing the birth of the employee's child (unless waived by the agency);

...

(d) For the care of a family member with a serious health condition:

- (1) Government or other reliable documentation establishing a family relationship (including but not limited to, birth certificate, marriage license, court order, joint lease, and joint bank account statement); and
- (2) A completed Certification of Health Care Provider for Family Member's Serious Health Condition, on a form supplied by the personnel authority.

We noted six instances in our sample of 25, where employees did not provide the District required documentation as proof that a qualifying event had occurred, nor had the employees obtained an agency waiver of the requirement.<sup>10</sup>

**Table 1. Examples where District employees did not provide required proof of a qualifying event.**

Example	Qualifying Event	Proof Required But Not Provided
1	Family Member Care (Father)	Employee's Birth Certificate
2	Family Member Care (Daughter)	Daughter's Birth Certificate
3	Birth of Child	Certificate of Live Birth
4	Family Member Care (Son)	Son's Birth Certificate
5	Family Member Care (Grandmother)	Employee and Parent's Birth Certificates
6	Birth of Child	Certificate of Live Birth

Source: OIG Review of Documents Submitted in Support of PFL Applications

## District Agencies Did Not Always Disqualify Ineligible Employees from Receiving PFL Benefits.

According to 6B DCMR § 1284.1, "[t]o be eligible for the paid family leave program, the employee must meet the following criteria: ... (c) The employee must not have received (or been

<sup>10</sup> The employing agency, not DCHR, collects documentation supporting an application for PFL.

paid) paid family leave benefits for another qualifying [event] in the twelve (12) months preceding the start date for the new qualifying event ....” We noted that four employees from our sample received PFL benefits without completing the required waiting period between two qualifying events.

**Table 2. Examples where an ineligible employee received PFL benefits without waiting the required 12 months between events.**

<b>Example</b>	<b>Last Date Received PFL Benefit</b>	<b>Start Date for New Qualifying Event</b>	<b>No. of Days Lapsed Between Two Events</b>
1	10/11/2019	11/20/2019	40
2	11/8/2019	1/8/2020	61
3	11/26/2019	12/3/2019	7
4	4/10/2020	6/1/2020	52

Source: OIG Analysis of PFL Data Maintained in PeopleSoft and Documents Submitted in Support of PFL Applications

We note that contrary to the 6B DCMR § 1284.1 requirements, the administrative E-DPM issuance and PFL application form provided incorrect guidance for District agencies to approve PFL benefits without maintaining a 12-month interval between qualifying events.

### **District Agencies Did Not Always Disallow Employees’ Use of PFL in Less Than 1-Day Increments.**

D.C. Code § 1–612.03c(b)(2) states that “[paid family leave] may be used in no less than one-day increments, either consecutively or intermittently....” However, we noted four examples where District employees incorrectly used, and managers approved PFL in 4- or 6-hour increments.

### **We recommend that the Director, DCHR:**

1. Identify and adopt an internal control framework to implement and operate an effective internal control system to ensure PFL and other programs are administered in accordance with applicable laws and regulations.
2. Develop a plan and conduct periodic review of District agencies’ compliance with District rules and regulations.
3. Develop enforcement mechanisms to hold District agencies, employees, or contractors accountable for any improper payment of PFL benefits.
4. Develop a plan for FMLA coordinators to receive proper training to ensure PFL applications are approved in accordance with the District laws and regulations.
5. Establish procedures to periodically review and update all DCHR issuances and forms relating to PFL eligibility and determinations.



6. Establish procedures to ensure eligible employees provide proof of a qualifying event to establish eligibility occurred prior to approving PFL benefits.
7. Establish procedures to ensure ineligible employees are disqualified from receiving PFL benefits.
8. Establish procedures to ensure employees are disallowed from using PFL in less than 1-day increments.
9. Update the DCHR issuance to comply with the DCMR and provide training to the FMLA coordinators on the processing of PFL applications.

### **DCHR DID NOT EFFECTIVELY IMPLEMENT CONTROLS OVER EMPLOYEE PREMIUM PAY BENEFITS**

According to the Green Book, “internal control helps managers achieve desired results through effective stewardship of public resources.”<sup>11</sup> Our review of payroll records for 31 full-time employees indicated that 12 employees incorrectly received premium payments during the first three quarters of FY 2020.

We discussed the control weaknesses over premium payments with a DCHR official who stated DCHR should not have paid the premiums on overtime work. The official also explained the premiums on non-working hours are the continuation of a past practice that was based on earlier interpretive guidance under the DPM.

Below, we discuss internal control weaknesses for the 12 of 31 full-time employees who incorrectly received premium payments for (1) Sunday work, (2) night differential work, and/or (3) environmental work.

#### **DCHR Did Not Always Exclude Overtime Work from Premiums Paid for Sunday Work.**

Title 6B DCMR § 1133.2 states:

A full-time employee shall be entitled to pay at his or her rate of basic pay plus premium pay at a rate equal to twenty-five percent (25%) of his or her rate of basic pay for each hour of Sunday work *that is not overtime work* and that is not in excess of the employee’s scheduled daily tour of duty that begins or ends on Sunday. [Emphasis added.]

Three full-time employees in our sample, whose daily tour of duty begun or ended on Sunday and who worked in excess of 8 hours, were not compensated correctly. Per 6B DCMR § 1133.2, these employees were entitled to pay at a rate that was 25% above their basic pay (Sunday rate),

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<sup>11</sup> Green Book, *supra* note 3, OV1.03.

plus an overtime rate for the hours worked in excess of 8 hours. However, these employees incorrectly received both overtime and Sunday premium pay for the hours worked in excess of 8 hours.

For example, if an employee with a \$20 hourly basic pay rate is scheduled to work for 8 hours on Sunday but actually worked 12 hours on the same day; this employee should have received \$40 (8 hours x \$20 x 25%) in Sunday premium pay. However, the District's practice is to compensate this employee \$60 (12 hours x \$20 x 25%) in Sunday premium pay. The additional \$20 is due to the incorrect compensation for 4 hours of Sunday work that is overtime and in excess of 8 hours.

### **DCHR Did Not Always Exclude Overtime Work from Premiums Paid for Night Work.**

According to 6B DCMR § 1134.3:

An employee who performs regularly scheduled *non-overtime night work* shall be entitled to pay at a rate equal to ten percent (10%) of his or her rate of basic pay for that work, payable on an hour-for-hour basis, in increments of one-quarter ( $\frac{1}{4}$ ) of an hour for each fifteen (15) minutes and portion thereof in excess of fifteen (15) minutes. [Emphasis added.]

Five employees in our sample, who were regularly scheduled for overtime night work and worked in excess of 8 hours, were not compensated correctly. Per 6B DCMR § 1134.3, these employees were entitled to pay at a rate that was 10% above their basic pay (night rate), plus an overtime rate for the hours worked in excess of 8 hours. However, these employees incorrectly received both overtime pay and night premium pay for the hours worked in excess of 8 hours.

For example, if an employee with a \$20 hourly basic pay rate is scheduled to work for 8 hours of night work but actually worked 12 hours on the same night; this employee should have received \$16 (8 hours x \$20 x 10%) in night premium pay. However, the District's practice is to compensate this employee \$24 (12 hours x \$20 x 10%) in night premium pay. The additional \$8 is due to the incorrect compensation for 4 hours of night work that is overtime and in excess of 8 hours.

### **DCHR Did Not Always Exclude Nonworking Hours from Premiums Paid for Night Work.**

According to 6B DCMR § 1134.3:

An employee who performs regularly scheduled non-overtime night work shall be entitled to pay at a rate equal to ten percent (10%) of his or her rate of basic pay for that *work*, payable on an hour-for-hour basis, in increments of one-quarter ( $\frac{1}{4}$ ) of an hour for each fifteen (15) minutes and portion thereof in excess of fifteen (15) minutes. [Emphasis added.]

Eight employees in our sample, who were not scheduled and did not perform overtime night work, were not compensated correctly. Per 6B DCMR § 1134.3, these employees were entitled to pay at a rate that was 10% above their basic pay (night rate) for night work. However, these employees incorrectly received night premium pay for non-working hours (e.g., leave hours). These employees should have been paid at a regular pay rate instead of night premium pay for non-working hours.

For example, if an employee with a \$20 hourly basic pay rate is scheduled to work for 8 hours of night work but actually took leave on the same night; this employee should have received \$160 (8 hours x \$20) in basic pay. However, the District's practice is to compensate this employee \$176 in basic and night premium pay. The additional \$16 (8 hours x \$20 x 10%) is due to the incorrect payment of night premiums on non-working hours.

### **DCHR Did Not Always Exclude Nonworking Hours from Premiums Paid for Local Environment Pay.**

According to 6B DCMR § 1136.19:

An employee who is exposed to a situation for which local environment pay is authorized shall be entitled to the appropriate local environment pay regardless of whether he or she has a full-time, part-time, or intermittent tour of duty; is on regular assignment or detail; or is exposed during *straight-time or overtime hours of work*. [Emphasis added]

Six employees in our sample who were not exposed to a situation for which local environment pay was authorized, were incorrectly compensated for leave hours. Per 6B DCMR § 1136.19, these employees were entitled to an appropriate local environment pay above their basic pay (local environment rate) for exposed hours of work. However, these employees incorrectly received local environment pay for non-working hours (e.g., leave hours). These employees should have been paid at a regular pay rate instead of local environment pay for non-working hours.

For example, if an employee with a \$20 hourly basic pay rate is scheduled to work for 8 hours and be exposed to a situation for which 15% local environment premium pay was authorized but took leave on the same day, this employee should have received \$160 (8 hours x \$20) in basic pay. However, the District's practice is to compensate this employee \$184 in basic and environmental premium pay. The additional \$24 (8 hours x \$20 x 15%) is due to the incorrect payment of environmental premiums on non-working hours.

### **We recommend that the Director, DCHR:**

10. Establish procedures to ensure overtime work hours are excluded from premiums paid for Sunday work.
11. Establish procedures to ensure overtime work hours are excluded from premiums paid for night work.

12. Establish procedures to ensure nonworking hours are excluded from premiums paid for night work.
13. Establish procedures to ensure nonworking hours are excluded from premiums paid for local environment pay.
14. Develop enforcement mechanisms to hold District agencies, employees, or contractors accountable for any improper payment of premiums.

## **DCHR DID NOT EFFECTIVELY IMPLEMENT CONTROLS OVER EMPLOYEE OVERTIME PAY BENEFITS**

According to the Green Book, “[a]s part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.”<sup>12</sup> We noted that DCHR determined overtime hours based on all scheduled hours (i.e., worked and non-worked hours), which exceeded federal and District requirements. Treatment of scheduled hours (work and leave) as worked hours resulted in employees being compensated for benefits hours (e.g., paid holidays, PFL, etc.) to qualify for overtime compensation. DCHR also did not exclude those scheduled non-working hours from overtime compensation calculations.

According to DCHR officials, including scheduled non-working hours is required by certain collective bargaining agreements (CBA):

[U]nscheduled leave is expressly excluded from the 40-hour work week for the purpose of determining overtime hours in excess of 40 hours minimum. Under [such] Agreement[s] there is no similar express exclusion or prohibition on the inclusion of scheduled leave and the Agreement[s have] been interpreted and implemented as providing for the inclusion of scheduled leave hours ... [and is] entirely permissible, but not required under FLSA. In terms of including scheduled leave, but not allowing the inclusion of unscheduled leave as part of the 40 hours, appropriately disincentives using unscheduled leave as a means of earning overtime pay.

While this CBA may require scheduled non-working hours to be counted as worked, the agreement was negotiated to exceed federal and District requirements and permits the use of benefits to increase overtime compensation.

Our review of payroll records for 31 full-time employees indicated that 14 employees incorrectly received overtime payments during the first three quarters of FY 2020.

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<sup>12</sup> Green Book, *supra* note 3, OV2.23.

## **DCHR Did Not Always Accurately Process Employee Benefit Hours Related to Overtime Pay.**

According to the Fair Labor Standards Act (FLSA),

[N]o employer shall employ [, i.e., permit to work,] any of his employees ..., for a workweek longer than forty hours unless such employee receives compensation for his employment in excess of the [40] hours above specified at a rate not less than one and one-half times the regular rate at which he is employed. 29 U.S.C. § 207(a) (1).

We noted instances where DCHR did not exclude paid holidays or scheduled leave hours taken by employees when determining hours subject to overtime compensation (see Table 3). Employees would not have qualified for overtime pay had DCHR excluded paid holiday and scheduled leave hours (i.e., non-working hours) from overtime determinations. DCHR should have considered excess non-working hours as basic rate (regular) pay hours or should not authorize any of its employees to schedule hours in excess of 40 when non-working hours are scheduled.

**Table 3. Examples where DCHR included paid holidays or leave hours taken by employees toward overtime calculation.**

<b>Example</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Total Hours Reported	48	48	46	44
Actual Hours Worked	32	40	38	36
Nonworking Hours	16	8	8	8
Overtime Hours Paid	8	8	6	4
Actual Overtime Hours	0	0	0	0

Source: OIG Analysis of Payroll Data Maintained in PeopleSoft.

## **DCHR Did Not Always Accurately Base Employee Benefits on Their Regular Rate of Compensation.**

The employee's regular rate of compensation (at which they are employed) is used to determine the rate paid for overtime hours. According to the FLSA:

[T]he "regular rate" at which an employee is employed shall be deemed to include all remuneration for employment paid to, or on behalf of, the employee, but shall not be deemed to include - payments made for occasional periods when no work is performed due to vacation, holiday, illness .... 29 U.S.C. § 207(e) (2).

DCHR did not exclude from regular rate calculation payments made for occasional periods when no work is performed due to vacation, holiday, and illness. DCHR has reasoned that, since the scheduled non-working hours are used to determine overtime hours, the non-working hours



would be used to calculate the regular rate. However, this calculation method is not consistent with the FLSA.<sup>13</sup>

**We recommend that the Director, DCHR:**

15. Establish procedures to ensure employee benefits hours related to overtime pay are processed accurately.
16. Establish procedures to ensure overtime payments are based on the regular rate of pay as established by the FLSA.
17. Develop enforcement mechanisms to hold District agencies, employees, or contractors accountable for any improper payment of overtime.
18. Develop a procedure to review applicable CBAs to ensure terms and conditions do not exceed District and federal laws.

**DCHR DID NOT EFFECTIVELY IMPLEMENT CONTROLS OVER OTHER EMPLOYEE BENEFITS**

We found that DCHR did not always timely process (1) pay rate change benefits, (2) the initiation of 401(a) Plan benefits, and (3) the assessment of risks of carrying ineligible ex-partners on health care insurance programs.

According to DCHR officials, District agencies incorrectly entered within-grade step increase (WGI) effective dates manually into PeopleSoft. The WGI effective date determines when wage increases will take effect automatically in PeopleSoft. Certain promotions and demotions were processed late by the respective agency or incorrectly entered into PeopleSoft. DCHR officials also explained that HR processing/employment data did not properly transfer the correct 401(a) initiation dates to the retirement plan module of the PeopleSoft system.

**DCHR Did Not Always Timely Process Employee Benefits Related to Within-Grade Increases.**

According to 6B DCMR § 1129.29, “[a] within-grade increase shall be effective on the first day of the first biweekly pay period following completion of the required waiting period ....” DCHR did not process all sampled personnel actions for 18 of 22 eligible employees for WGI in a timely manner as required during the audit period. Twelve employees received step increases one pay period early. Six employees received step increases late. The delays ranged between 1 and 9 pay periods.

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<sup>13</sup> Per 6B DCMR § 1138.1, the District is subject to FLSA requirements.

### **DCHR Did Not Always Process Employee Benefits Related to Promotions and Demotions Timely.**

Promotions and demotions are processed based on the dates stated on the notifications provided to the employees. DCHR did not process all personnel actions related to promotions as required by 6B DCMR § 1131.7, which states that “[a] promotion shall be effective on the first day of a biweekly pay period.” The effective dates of demotions are established by an official with authority to approve the proposed classification.<sup>14</sup> DCHR processed personnel actions late for 4 of 10 sampled employees receiving promotions or demotions. The delays ranged between 10 and 24 days.

#### **We recommend that the Director, DCHR:**

19. Establish procedures to ensure within-grade increases are processed in a timely manner.
20. Establish procedures to ensure promotions and demotions are processed in a timely manner.
21. Develop enforcement mechanisms to hold District agencies, employees, or contractors accountable for any improper payments for promotions, demotions, and within-grade pay increases.

### **DCHR Did Not Always Timely Enroll All Eligible Employees into the District 401(a) Plan.**

According to 6B DCMR § 2603.2, “[t]he personnel authority shall enroll each eligible employee into the 401(a) Plan as a participant at the beginning of the first pay period immediately following the employee’s completion of one (1) year of creditable service, provided the employee first completes the 401(a) Plan enrollment forms.” However, 5 of 50 eligible employees that completed enrollment forms were not enrolled in the 401(a) Plan at the beginning of the first pay period as required. One employee was enrolled one pay period early. Four employees were enrolled late. The delays ranged between 1 and 13 pay periods.

We attribute this condition to DCHR’s failure to enter or transfer employment information correctly to the PeopleSoft retirement module. The issue of not enrolling all eligible employees into the 401(a) Plan existed as far back as the inception of the plan, in 1987.

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<sup>14</sup> 6B DCMR § 1112.2.

**We recommend that the Director, DCHR:**

22. Establish procedures to ensure eligible employees are enrolled in the 401(a) Plan in a timely manner.
23. Develop a plan to identify all 401(a) eligible employees, without a related retirement account, to establish and restore contributions.
24. Develop enforcement mechanisms to hold District agencies, employees, or contractors accountable for the improper payment of retirement plan benefits.

**DCHR Has Not Assessed Fraud Risk Related to Health Care Insurance Programs.**

DCHR has not assessed fraud risk related to the cost of carrying ineligible dependents on health care insurance programs following divorce or termination of a domestic partnership. A fraud risk assessment will help DCHR leadership detect control deficiencies and implement or strengthen controls to reduce the risk of the fraud occurring. According to the Green Book, management should consider the potential for fraud when assessing risk. Fraud is “obtaining something of value through willful misrepresentation.”<sup>15</sup> Misrepresentations could occur when employees do not communicate certain life-change events timely, resulting in additional costs to the District.

Upon request, DCHR provided documents for 10 employees who self-reported divorces in the audit period. However, DCHR could not determine what portion of the total divorces these documents represented. Per the U.S. Census, in and around the District, the divorce rate is 6.2 per thousand persons annually. Based on this divorce rate, we estimate 169 District employees with health benefits divorce annually. E-DPM Instruction No. 2 1A-7 & 21 B-17 state that “[e]mployees may enroll or make changes from 31 days before to 60 days after change in marital status (marriage, divorce, annulment, death of spouse).” Further, our analysis of the 10 employees who self-reported divorces indicated that 4 employees reported late. The delays ranged from 6 months to 3 years and 4 months, for which the former spouses/partners continued to receive benefits.

We attribute this condition to DCHR not assessing fraud risk, not evaluating if self-reporting of divorces and terminations of domestic partnerships is effective, or not identifying other reporting mechanisms that may exist to reduce risk that the District is paying unnecessary premiums.

Without implementing controls to establish continuing spousal/partner eligibility, DCHR is at risk of covering ineligible dependents, which could result in overcharges to the Health Care Insurance Programs.

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<sup>15</sup> Green Book; *supra* note 3, Principle 8.02.

**We recommend that the Director, DCHR:**

25. Develop procedures to require employees to annually self-certify dependents' continuing eligibility.
26. Develop a plan to coordinate with the Department of Health and neighboring jurisdictions and identify all District employees who divorce or terminate domestic partnerships but have not reported this event.
27. Develop enforcement mechanisms to hold District agencies, employees, or contractors accountable for any improper payments of healthcare insurance benefits.

**CONCLUSION**

DCHR did not effectively implement employee benefit controls as designed to ensure compliance with federal and District requirements. The controls in place did not adequately reduce the risks of inaccurate benefit payments or identify and correct errors in a timely manner. The control weaknesses identified could be addressed systematically by adopting an overall framework to establish and maintain a system of controls designed and implemented to provide reasonable assurance that organizational objectives are met.

Overall, this report presented 63 instances in our sample of 169 employees where District agencies did not process benefits for payments in accordance with District laws, policies, and procedures. While the actual non-compliance in the total population might be different from the 63 instances in our sample, a reasonable person could infer that the magnitude of non-compliance far exceeds the number of instances discussed in this report.

Identifying and addressing noncompliance and control weaknesses will help DCHR achieve its strategic objectives efficiently and effectively; provide reasonable assurance that employee benefits are accurately paid to eligible employees; and prevent, detect, and correct improper payments.

**AGENCY RESPONSES AND OFFICE OF THE INSPECTOR GENERAL COMMENTS**

We provided DCHR with our draft report on September 8, 2021, and received its response on September 30, 2021, which is included as Appendix D to this report. We appreciate that DCHR officials began addressing some of our recommendations immediately upon notification during the audit.

Our draft report included 27 recommendations we made to DCHR for actions we deemed necessary to correct identified deficiencies. DCHR agreed with 26 of the recommendations. Therefore, we consider these recommendations resolved but open pending evidence of stated actions. Although DCHR did not agree with Recommendation 26, DCHR's actions taken and/or planned are responsive and meet the intent of the

recommendation. Therefore, we consider this recommendation resolved but open pending evidence that the cost of implementing this recommendation would exceed the benefits.



## **APPENDIX A. OBJECTIVES, SCOPE, AND METHODOLOGY**

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We conducted our audit work from July 2020 through August 2021, in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this audit were to: (1) evaluate District employee benefit controls; and (2) determine compliance with federal and District employee benefit policies and procedures. The audit was included in the Office of the Inspector General's (OIG) *Fiscal Year 2020 Audit and Inspection Plan*.

To accomplish our audit objectives, we:

- Obtained and analyzed a list of 4,915 employees that were approved PFL during the period of October 2019 through June 2020, and statistically sampled 35 (25 approved and 10 denied) to apply audit procedures and gather audit evidence.
- Obtained and analyzed a list of 1,295 employees that were hired during the period of October 2019 through June 2020, and statistically sampled 40 to apply audit procedures and gather audit evidence.
- Obtained and analyzed a list of 926 employees that were terminated during the period of October 2019 through June 2020, and statistically sampled 40 to apply audit procedures and gather audit evidence.
- Obtained and analyzed a list of 1,004 employees who had life events during the period of October 2019 through June 2020, and statistically sampled 35 to apply audit procedures and gather audit evidence.
- Obtained and analyzed a list of 1,963 employees who became eligible to receive the retirement contribution during the period of October 2019 through June 2020, and statistically sampled 50 of them to apply audit procedures and gather audit evidence.
- Obtained and analyzed a list of 5,424 employees who received a promotion, demotion, or within-grade step increases during the period of October 2019 through June 2020, and statistically sampled 32 to apply audit procedures and gather audit evidence.
- Identified the employee population by their states of residence.
- Obtained the divorce rate information by state from the public information of the US Census Bureau and applied that to the employee population to estimate the potential number of divorces within the District government employees.
- Reviewed DCHR's performance plan for FY 20 to identify its strategic objectives.
- Evaluated the control activities that management had established through policies and procedures to mitigate risks and monitor activities to assess performance over time.

We assessed the validity and reliability of computer-processed data and performed limited testing to verify the data's accuracy and completeness. We relied on the District's PeopleSoft database to determine the number of employees for each area of our reviews. We determined that the data were sufficiently reliable for this report.

## **APPENDIX B. ACRONYMS AND ABBREVIATIONS**

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BRA	Benefits and Retirement Administration
CMPA	Comprehensive Merit Personnel Act
DCHR	D.C. Department of Human Resources
DCMR	D.C. Municipal Regulations
DTD	Daily Tour of Duty
E-DPM	Electronic District Personnel Manual
FY	Fiscal Year
FLSA	Fair Labor Standards Act
FMLA	Family and Medical Leave Act
GAO	United States Government Accountability Office
GAGAS	Generally Accepted Government Auditing Standards
Green Book	GAO Standards for Internal Control in the Federal Government
HR	Human Resources
OGC	Office of the General Counsel
OIG	Office of the Inspector General
OOD	Office of the Director
PCA	Policy and Compliance Administration
PFL	Paid Family Leave
U.S.C.	United States Code
WGI	Within-Grade Step Increases

## APPENDIX C. TABLE OF RECOMMENDATIONS

<b>Responsible Agency</b>	<b>Recommendations</b>	<b>Potential Monetary Benefits</b>	<b>Agency Response</b>
DCHR	1. Identify and adopt an internal control framework to implement and operate an effective internal control system to ensure PFL and other programs are administered in accordance with applicable laws and regulations.		Agreed
DCHR	2. Develop a plan and conduct periodic review of District agencies' compliance with District rules and regulations.		Agreed
DCHR	3. Develop enforcement mechanisms to hold District agencies, employees, or contractors accountable for any improper payment of PFL benefits.		Agreed
DCHR	4. Develop a plan for FMLA coordinators to receive proper training to ensure PFL applications are approved in accordance with the District laws and regulations.		Agreed
DCHR	5. Establish procedures to periodically review and update all DCHR issuances and forms relating to PFL eligibility and determinations.		Agreed

## APPENDIX C. TABLE OF RECOMMENDATIONS

<b>Responsible Agency</b>	<b>Recommendations</b>	<b>Potential Monetary Benefits</b>	<b>Agency Response</b>
DCHR	6. Establish procedures to ensure eligible employees provide proof of a qualifying event to establish eligibility occurred prior to approving PFL benefits.		Agreed
DCHR	7. Establish procedures to ensure ineligible employees are disqualified from receiving PFL benefits.		Agreed
DCHR	8. Establish procedures to ensure employees are disallowed from using PFL in less than 1-day increments.		Agreed
DCHR	9. Update the DCHR issuance to comply with the DCMR and provide training to the FMLA coordinators on the processing of PFL applications.		Agreed
DCHR	10. Establish procedures to ensure overtime work hours are excluded from premiums paid for Sunday work.		Agreed
DCHR	11. Establish procedures to ensure overtime work hours are excluded from premiums paid for night work.		Agreed
DCHR	12. Establish procedures to ensure nonworking hours are excluded from premiums paid for night work.		Agreed

## APPENDIX C. TABLE OF RECOMMENDATIONS

<b>Responsible Agency</b>	<b>Recommendations</b>	<b>Potential Monetary Benefits</b>	<b>Agency Response</b>
DCHR	13. Establish procedures to ensure nonworking hours are excluded from premiums paid for local environment pay.		Agreed
DCHR	14. Develop enforcement mechanisms to hold District agencies, employees, or contractors accountable for any improper payment of premiums.		Agreed
DCHR	15. Establish procedures to ensure employee benefits hours related to overtime pay are processed accurately.		Agreed
DCHR	16. Establish procedures to ensure overtime payments are based on the regular rate of pay as established by the FLSA.		Agreed
DCHR	17. Develop enforcement mechanisms to hold District agencies, employees, or contractors accountable for any improper payment of overtime.		Agreed
DCHR	18. Develop a procedure to review applicable CBAs to ensure terms and conditions do not exceed District and federal laws.		Agreed
DCHR	19. Establish procedures to ensure within-grade increases are processed in a timely manner.		Agreed



## APPENDIX C. TABLE OF RECOMMENDATIONS

<b>Responsible Agency</b>	<b>Recommendations</b>	<b>Potential Monetary Benefits</b>	<b>Agency Response</b>
DCHR	20. Establish procedures to ensure promotions and demotions are processed in a timely manner.		Agreed
DCHR	21. Develop enforcement mechanisms to hold District agencies, employees, or contractors accountable for any improper payments for promotions, demotions, and within-grade pay increases.		Agreed
DCHR	22. Establish procedures to ensure eligible employees are enrolled in the 401(a) Plan in a timely manner.		Agreed
DCHR	23. Develop a plan to identify all 401(a) eligible employees, without a related retirement account, to establish and restore contributions.		Agreed
DCHR	24. Develop enforcement mechanisms to hold District agencies, employees, or contractors accountable for the improper payments of retirement plan benefits.		Agreed
DCHR	25. Develop procedures to require employees to annually self-certify dependents' continuing eligibility.		Agreed

## APPENDIX C. TABLE OF RECOMMENDATIONS

<b>Responsible Agency</b>	<b>Recommendations</b>	<b>Potential Monetary Benefits</b>	<b>Agency Response</b>
DCHR	26. Develop a plan to coordinate with the Department of Health and neighboring jurisdictions and identify all District employees who divorce or terminate domestic partnerships but have not reported this event.		Disagreed
DCHR	27. Develop enforcement mechanisms to hold District agencies, employees, or contractors accountable for any improper payments of healthcare insurance benefits.		Agreed

## APPENDIX D. DCHR'S RESPONSE TO THE DRAFT REPORT



### DC DEPARTMENT OF HUMAN RESOURCES

#### Office of the Director

September 27, 2021

The Honorable Daniel W. Lucas  
District of Columbia Office of the Inspector General  
717 14<sup>th</sup> Street N.W. 5<sup>th</sup> Floor  
Washington, DC 20005

Subject: **DCHR Response-OIG DCHR Benefits Audit**

Dear Inspector General Lucas:

The D.C. Department of Human Resources' (DCHR) mission is to provide human resources management solutions that strengthen individual and organizational performance and enable the District to attract, develop, and retain a highly qualified, and diverse workforce. To fulfill this mission, our agency acts as the Mayor's personnel authority, creates employee policies, and oversees the implementation of benefits and compensation across 70 agencies across the District of Columbia government. To implement benefits and compensation policies, we work with several agency partners including the Office of Payroll and Retirement Services (OPRS) within the Office of the Chief Financial Officer, the Office of Labor Relations and Collective Bargaining (OLRCB), and the Office of the Chief Technology Officer (OCTO).

We appreciate the Office of the Inspector General's review of our internal controls and your recommending areas of improvement. With your input, we can ensure consistent and accurate implementation of our policies for our workforce. Below are our responses to your 27 specific recommendations found in your audit report, *DCHR Designed Controls Over Employee Benefits but Certain Controls Were Not Operating Effectively*.

1. Identify and adopt an internal control framework to implement and operate an effective internal control system to ensure PFL and other programs are administered with applicable laws and regulations.

**Response: We agree. While we currently review PFL applications, we are developing a framework to more effectively ensure that PFL applications are approved correctly. The framework will describe training that will focus on employee communication about PFL eligibility and the submission process as well as time entry upon approval; Coordinator training on applicable laws, policies, processes, and correct time coding in PeopleSoft. In addition, the framework will describe a proposed electronic process that will assist in ensuring accuracy of approvals. Target Completion: April 1, 2022**

## APPENDIX D. DCHR'S RESPONSE TO THE DRAFT REPORT

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### DCHR Response-OIG DCHR Benefits Audit

2. Develop a plan and conduct periodic review of District agencies' compliance with [PFL] rules and regulations.

**Response:** We agree. While we are currently reviewing agency submissions of employee PFL applications, in Fiscal Year 2022 we will complete a full, detailed audit of PFL processes and submissions for at least 20% of the agencies under our authority. We will also review an additional 20% of agencies in each successive fiscal year. Target Completion: Plan developed by January 1, 2022, with initial auditing completed by September 30, 2022.

3. Develop enforcement mechanisms to hold District agencies, employees, or contractors accountable for any improper PFL payments.

**Response:** We agree. Employees who improperly receive PFL payments, as well as those who approve such payments, can be held accountable through existing misconduct and performance management tools. We can leverage these tools in conjunction with the improved control frameworks outlined in #1 and #2. In addition, DCHR will collaborate with Coordinators to ensure that we receive supporting documentation in a timely manner as in some cases reviewed by OIG, the agency received the needed paperwork, but did not submit to DCHR. Implementation: September 30, 2022.

4. Develop a plan for FMLA Coordinators to receive proper training to ensure PFL applications are approved in accordance with District laws and regulations.

**Response:** We agree and this work is underway. We already conduct quarterly trainings, as well as additional Brown bag sessions on documentation, with the FMLA Coordinators that explain District rules, regulations, and processes. We will incorporate specific factual scenarios that agencies should be careful to review before approving an application. We will also conduct quizzes to ascertain FMLA Coordinator competencies. Target Completion: January 1, 2022

5. Establish procedures to periodically review and update all DCHR issuances and forms relating to PFL eligibility and determinations.

**Response:** We agree. We already host quarterly policy review sessions with District agencies and will include PFL as a topic this fiscal year. During the session, agencies provide feedback on the policy and any implementation challenges. DCHR will review agency feedback to make any needed changes to the PFL policy and forms. Target Completion: April 1, 2022

6. Establish procedures to ensure eligible employees provide proof of a qualifying life event to establish eligibility occurred prior to approving PFL benefits.

**Response:** We agree. In future meetings and trainings we will reiterate to agencies that proof of a qualifying life event must be received prior to approving PFL, except for the birth of a child, in which case the record should be provided as soon as it is available. In addition, DCHR drafted business requirements to create an

## APPENDIX D. DCHR'S RESPONSE TO THE DRAFT REPORT

### DCHR Response-OIG DCHR Benefits Audit

electronic employee PFL submission process in PeopleSoft. We hope that this process will ensure consistency and provide an effective tool for employees to submit applications, agencies to review applications, and DCHR to audit applications. Target Completion Date: April 1, 2022

7. Establish procedures to ensure ineligible employees are disqualified from receiving PFL benefits.

**Response:** As noted in #6, we will reiterate applicable eligibility criteria to ensure agencies do not approve ineligible employees for PFL. We are also confident that creating an electronic process in PeopleSoft will improve efficiency and accuracy. Target Completion Date: April 1, 2022

8. Establish procedures to ensure that employees are disallowed from using PFL in less than 1-day increments.

**Response:** We agree. As noted in #6, we will reiterate to agencies that PFL may only be approved in 1-day increments. We are partnering with OPRS and OCTO to draft business requirements and implement a solution to only allow PFL reporting in 1-day increments. In addition, DCHR will partner with OPRS to train agency Quality Assurance Liaisons (QALs) on not approving PFL reported in less than 1-day increments. Target Completion: April 1, 2022

9. Update the DCHR issuance to comply with the DCMR and provide training to PFL Coordinators on the processing of PFL applications.

**Response:** We agree and this work is underway. On November 3, 2019, we published an update to the PFL issuance to better align with the DCMR. As noted in #4, we provide regular training to PFL/FMLA Coordinators, but we are enhancing our training to provide specific scenarios to help ensure that Coordinators and QALs accurately understand relevant rules, regulations, and procedures. Target Completion: January 1, 2022

10. Establish procedures to ensure overtime work hours are excluded from premiums paid for Sunday work.

**Response:** We agree and this work is underway. Premium pay hours should not apply when overtime is paid; we are partnering with OPRS to provide training to timekeepers and QALs on correct premium pay time entries and approvals. We have also developed compensation and pay frequently asked questions (FAQs) that are currently in the final stages of approval. These FAQs will be posted online and shared with both employees and agencies. Target Completion: January 1, 2022

11. Establish procedures to ensure overtime work hours are excluded from premiums paid for night work.

**Response:** Please see response to #10.



## APPENDIX D. DCHR'S RESPONSE TO THE DRAFT REPORT

### DCHR Response-OIG DCHR Benefits Audit

12. Establish procedures to ensure nonworking hours are excluded from premiums paid for night work.

**Response:** We agree. We are working with OCTO and OLCRB to deactivate the 'not worked' time reporting codes in PeopleSoft. In addition, DCHR recently drafted and posted an updated night differential policy that reiterates requirements for night differential. Target Completion: April 1, 2022

13. Establish procedures to ensure nonworking hours are excluded from premiums paid for local environmental pay.

**Response:** We agree. This is no longer in practice for non-union employees. We are currently working with OLCRB to discontinue this practice for union employees. Target Completion: April 1, 2022

14. Develop enforcement mechanisms to hold District agencies, employees, or contractors accountable for any improper payment of premiums.

**Response:** We agree. We are partnering with OLCRB and OPRS to review the best way to leverage misconduct, performance management, and overpayment tools to hold agencies and employees accountable for any improper premium payments. Our policies apply to District employees, not contractors, whose pay would be governed by the applicable contract and enforced by the Office of Contracting and Procurement. Target Completion: April 1, 2022

15. Establish procedures to ensure employee benefits hours related to overtime pay are processed accurately.

**Response:** We agree. However, as noted in meetings with OIG, PeopleSoft is currently programmed to compute overtime based on the current interpretation of union Collective Bargaining Agreements (CBAs), which includes all scheduled time, even when not worked, such as holidays to be counted as worked hours. Although this agreement exceeds what is required by District and Federal regulations, DCHR would need to partner with OLCRB to change this practice.

Overtime is determined one of two ways depending on an employee's FLSA Status coding (overtime eligibility code). FLSA Nonexempt employees receive overtime for work performed beyond the 40-hour workweek. FLSA Exempt employees may receive overtime, per District policies, for work performed beyond the 80-hour pay period.

What counts as 'worked hours' differs based on the FLSA status as shown below:

FLSA Exempt	FLSA Nonexempt
Regular hours	Regular hours Holiday pay hours Scheduled leave hours

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### DCHR Response-OIG DCHR Benefits Audit

All non-working hours are excluded from overtime calculations for FLSA Exempt employees. For Non-Exempt employees and most union employees, scheduled leave hours count as 'worked hours' as required by the governing CBA. Per the Department of Labor, "these benefits are matters of agreement between an employer and an employee (or the employee's representative)."

We will work with OLRCB to discuss this during union negotiations to determine if changes are feasible. Target Completion Date: January 1, 2022

16. Establish procedures to ensure overtime payments are based on the regular rate of pay as established by the FLSA.

**Response:** We agree. The computation of the regular rate of pay in PeopleSoft already meets the requirements per the FLSA and has been otherwise modified pursuant to lawful agreements between the District and labor unions.

17. Develop enforcement mechanisms to hold District agencies, employees, or contractors accountable for any improper payment of overtime.

**Response:** We agree as it relates to agencies and employees. We are partnering with OLRCB and OPRS to leverage existing misconduct, performance management, and overpayment tools to hold agencies and employees accountable for any improper overtime payments. Contractors fall under the authority of OCP. Target Completion: April 1, 2022

18. Develop a procedure to review applicable CBAs to ensure terms and conditions do not exceed District and federal laws.

**Response:** We agree to the extent DCHR should be involved in the negotiation of compensation agreements. However, compensation is a mandatory subject of bargaining, and the parties may negotiate overtime rules that exceed the minimum standards established by District and federal law. We collaborate with OLRCB during the negotiation phase of compensation agreements. In the past, our involvement was confined to salary discussions, as opposed to premium pay. However, this year we have provided recommended edits to the Comp 1 & 2 agreement, which includes eliminating the "schedule leave" rule for overtime. That said, there are trade-offs in the bargaining process. For example, we may need to forgo amendments to overtime rules in exchange for lesser salary increase, particularly if the salary savings exceed the overtime savings and avoid impasse.

19. Establish procedures to ensure within-grade-increases are processed in a timely manner.

**Response:** We agree. We already implemented a quality assurance process that reviews within-grade-increases (WIGI) about nine months ago. This process

## APPENDIX D. DCHR'S RESPONSE TO THE DRAFT REPORT

### DCHR Response-OIG DCHR Benefits Audit

reviews all personnel actions processed biweekly and identifies any WIGI errors. The report is shared with the team that processes actions to ensure that the error is corrected. In addition, we collaborated with OCTO to improve PeopleSoft's ability to notify agencies of any WIGI errors. DCHR will review these two improvements to determine if any changes are needed to further improve this process. Target Completion Date: January 1, 2022

20. Establish procedures to ensure promotions and demotions are processed in a timely manner.

**Response:** We agree and this work is underway. We already addressed this with the HR Community and will reiterate that promotions and demotions cannot be backdated (processed after the effective date). Target Completion Date: January 1, 2022

21. Develop enforcement mechanism to hold District agencies, employees, or contractors accountable for any improper promotions, demotions, and within-grade pay increases.

**Response:** We agree as it relates to agencies and employees. We are partnering with OLCRB to leverage existing enforcement mechanisms, including misconduct, performance management, and overpayment procedures, to hold agencies and employees accountable for any improper premium payments. OCP oversees contractors. Target Completion: April 1, 2022

22. Establish procedures to ensure eligible employees are enrolled in the 401(a) plan in a timely manner.

**Response:** We agree and this work is underway. We already developed a biweekly quality assurance process that reviews all personnel actions processed in the two prior weeks. This process intends to identify and correct any errors prior to payroll being processed. In addition, DCHR is collaborating with OCTO to create and run weekly audit reports to ensure payroll deductions are correctly being made for employees in the 401(a) plan. DCHR also continues to partner with OCTO to monitor HRIS changes to ensure that system enrollment logic is maintained. DCHR will review these enhancements to determine if any additional improvements are needed. Target Completion Date: January 1, 2022

23. Develop a plan to identify all 401(a) eligible employees, without a related retirement account, to establish and restore contributions.

**Response:** We agree. As mentioned in the response to #22, we are collaborating with OCTO to ensure that employees in the 401(a) have the appropriate plan contributions. In addition, DCHR will develop a plan to ensure that 401(a) eligible employees have correctly funded accounts. Target Completion Date: April 1, 2022

24. Develop enforcement mechanism to hold District agencies, employees, or contractors accountable for the improper payment of retirement benefits.

## APPENDIX D. DCHR'S RESPONSE TO THE DRAFT REPORT

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### DCHR Response-OIG DCHR Benefits Audit

**Response:** We agree as it relates to agencies and employees. We are partnering with agency HR staff to ensure that they understand which personnel actions impact employee retirement plan enrollment. We will leverage appropriate accountability tools to hold agencies and employees accountable for any improper personnel actions that adversely impact retirement plan enrollment. Target Completion: April 1, 2022

25. Develop procedures to require employees to annually self-certify dependents' continuing eligibility.

**Response:** In general, we agree, but will need to research other local and state government best practices and draft any associated policy and PeopleSoft changes to accomplish this. Target Completion: June 1, 2022

26. Develop a plan to coordinate with the District Department of Health and neighboring jurisdictions and identify all District employees who divorce or terminate domestic partnerships but have not reported this event.

**Response:** DCHR disagrees with this recommendation. Based on the information available to us, there are very few incidents of unreported divorces and similar separations. To this end, it is impractical and would be costly to develop and maintain a system to verify marital status on a large-scale basis. Instead, employees are responsible for and should be held accountable for supplying or maintaining invalid information in PeopleSoft. DCHR requests that employees review and update their coverage details during the annual Open Enrollment process. DCHR will also reinforce with the District HR community to remind employees to review and update personal information whenever they experience qualifying life events.

27. Develop enforcement mechanism to hold District agencies, employees, or contractors accountable for any improper payments of healthcare insurance benefits.

**Response:** We agree as it relates to agencies and employees. We are partnering with OLRCB to leverage existing misconduct, performance management, and overpayment procedures to hold agencies and employees accountable for any improper healthcare insurance benefits. DCHR currently has an arrears process for employees who underpaid for their benefits coverage for any reason. Contractors are ineligible to participate in our benefits programs, unless they are former employees. Target Completion: April 1, 2022



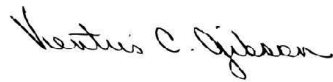
## APPENDIX D. DCHR'S RESPONSE TO THE DRAFT REPORT

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### **DCHR Response-OIG DCHR Benefits Audit**

As the Director of the D.C. Department of Human Resources, I thank you for our collaborative efforts to support the very best personnel management for the city's workforce, with our common goal of eliminating waste, fraud, and abuse. As the District agency entrusted with ensuring that effective controls exist to accurately administer compensation and benefits, we take seriously our responsibility and will continue to evaluate and improve our processes and controls.

Sincerely,



Ventris C. Gibson, Director D.C. Department of Human Resources